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The Impact of Equivalent and Differential Levels of Goal Attainment on Business Firm Interactions, Sentiments, and Compatibility

Gary L. Frazier, Assistant Professor
Department of Business Administration

Jagdish N. Sheth, Professor
Department of Business Administration

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ABSTRACT

A firm's need to achieve financial and managerial goals represents the most fundamental reason for the existence of interfirm relationships within channels of distribution. Yet, no study in the marketing channels literature has linked financial performance and goal attainment to the nature of the interfirm business relationship. This paper develops a model of relative goal attainment within a two firm channel relationship (based on norms within the distribution channel) and links the model to the nature of the firms' interactions, sentiments, and compatibility based on an empirical study in a franchise channel system.

INTERFIRM CHANNEL RELATIONSHIPS

Our understanding of business firm relationships within channels of distribution has been substantially increased in recent years based on descriptive and empirical research in the marketing channels literature. Three topic areas have received considerable emphasis in this research stream, each of significant importance to distribution channel management and to the development of more efficient channel systems: (1) the structure of the two firm channel relationship; (2) business firm interactions; and (3) business firm sentiments. The structure of the two firm channel relationship has been studied primarily in terms of interfirm power considerations (Reve and Stern 1979). Research in Stern (1969) introduced the concept of power into marketing channels literature and highlighted its apparent importance. Within empirical research, whether or not channels have well defined power structures (El-Ansary and Stern 1972; Wilkinson 1974), the identification and measurement of various sources of a firm's power within a channel relationship such as coercive versus noncoercive or economic versus noneconomic sources and their implications (Hunt and Nevin 1974; Lusch 1976, 1977; Etgar 1978), and relative levels of power (Etgar 1976) have been addressed.

Business firm interactions within the channel relationship have been described and empirically examined. Here, the emphasis has been on the means by which firms communicate in attempts to (1) gain influence on each other's behavior and (2) facilitate coordination of channel activities (cf., Beier and Stern 1969; Stern and Heskett 1969; Stern and El-Ansary 1977; Angelmar and Stern 1978; Kasulis and

Spekman 1980). Empirical results in Hunt and Nevin (1974), Lusch (1979, 1977), and Brown and Frazier (1978) suggest that while a relatively coercive influence approach may be effective in achieving a channel member's compliance in the short run, its use will, in all probability, serve to alienate the channel member and prove relatively costly to the long run relationship.

The nature of business firm sentiments such as satisfaction, cooperation, and conflict and business firm compatibility resulting from ongoing, two firm channel relationships have been of marked interest. Mallen (1963) and Alderson (1965) described the importance of cooperation and compatability in the distribution channel relationship while Assael (1968), Stern and Heskett (1969), Stern and Gorman (1969), Rosenberg and Stern (1970), and Rosenbloom (1973) centered on implications surrounding conflict and its resolution and their impact on a channel relationship. Rosenberg and Stern (1971) were the first to measure levels of conflict in a distribution channel. In subsequent empirical research, conflict and/or satisfaction levels have been related to a firm's coercive and noncoercive bases of power within the relationship (Hunt and Nevin 1974; Lusch 1976, 1977) and a channel member's perceived self-control over decision areas and the cooperativeness of partners in the channel (Dwyer 1980). Stern, Sternthal, and Craig (1973) investigated the relative efficiency of alternative methods of conflict management by a superordinate goal and exchange of persons mechanism.

Despite the progress made in understanding distribution channel relationships based on this research stream, a gap presently exists in this literature. Financial and/or managerial goal attainment is the driving force behind the initiation and existence of distribution channel relationships as it represents the overriding objective that members of business firms seek from participating in channel relationships (cf., Beier and Stern 1969; Stern and Brown 1969; Reve and Stern 1979). Additionally, evaluations of current performance relative to financial and/or managerial goals provides the manager important information and benchmarks upon which future plans and business strategies are formulated and implemented within a firm's internal and external environment (Duncan and Hollander 1977; Kotler 1980). The comparison by one channel member of his or her firm's goal attainment relative to the goal attainment of a channel partner would appear to have important implications in their channel relationship, perhaps shaping, in part, the channel member's reactions to the requests and coordination attempts of the other firm as well as influencing his or her own influence objectives, aspirations, and general behavior in the ongoing relationship. As indicated by Singh, Reve, and Stern (1981), whether or not the overall goals or objectives of each party in the two firm channel relationship are being met could significantly alter the nature of interfirm interactions and the resulting conflicts which exist in the relationship. Thus it appears that the equivalency or discrepancy of each firm's level of goal attainment within the two firm relationship represents another structural variable aside from interfirm power which may significantly influence the nature of the firms' interactions, sentiments, and compatibility within the ongoing channel relationship. Yet, despite its apparent importance in helping to explain variations in interactions, sentiments, and compatibility, no study has linked relative levels of business firm goal attainment to these dimensions or to the general nature of interfirm relationships within a marketing channel.

PURPOSE AND SCOPE OF THIS STUDY

The purpose of this paper is to analyze the importance and implications of relative levels of goal attainment in the two firm business relationship. A model of relative goal attainment in the two firm channel relationship is first developed based on whether or not each firm achieves a satisfactory level of goal attainment from the relationship and the equivalency or differential of their goal attainment levels. The business interaction, sentiment, and compatibility dimensions are discussed as they relate to this study, including research hypotheses linking them to the goal attainment model.[1] Empirical results from a study in the automobile distribution channel, a franchise channel system, are used to evaluate the hypotheses.

The scope of this paper is limited in several ways. The relative goal attainment model may have little importance in some distribution channels or some channel relationships. For relative goal attainment to be of significance, channel members must have knowledge or at least perceptions about their goal attainment and their channel partner's goal attainment. Where firms have so many channel relationships as to make evaluations of every firms' contributions to the others' goal attainment very difficult, the relative goal attainment concept may not be of significant importance. On the other hand, in franchise channel systems where a typical franchisee has only one or very few suppliers or in traditional or administered channel systems where the bulk of a manufacturer's, wholesaler's, or retailer's business lies with very few channel relationships, such knowledge may be more readily available and such perceptions may be more easily developed. As such, data were collected from a franchise channel system in this study.

The basis for satisfactory or unsatisfactory goal attainment in the model and the study is from a channel system's viewpoint; that is, based on how well a firm is doing in meeting financial and/or managerial goals and objectives relative to other members in the channel (at the same level). Members of a firm may, in part, judge and evaluate its performance relative to the performance that other similar firms within the channel are achieving (cf., Hill 1963; Bearchell 1975; Duncan and Hollander 1977; Stern and El-Ansary 1977). As such, channel norms concerning satisfactory and unsatisfactory performance are stressed.

Another basis for satisfactory goal attainment is from a more "personal" or "individualized" viewpoint. No matter the industry or channel norms, managers could judge their business on a different basis or have other goals and objectives which they, personally, are seeking. For example, a firm might attain a return on investment figure which is not satisfactory from an industry standpoint. However, if improvements are being made each year (e.g., increases from 0 to 3 precent, from 3 to 7 percent) the goals of the managers could be satisfied in the short run. While this more personalized element of goal attainment is certainly important, it is not dealt with in this paper.

In discussing the nature of business interactions, only a manufacturer's use of communication strategies in attempts to attain influence on a dealer's or retailer's behavior is discussed. Additionally, business sentiments and compatibility are discussed and based on the viewpoint of only one member of the two firm relationship, the dealer or retailer. It is recognized that (1) the personnel of each firm in a two party relationship can utilize influence strategies and attempt to influence the other's decision making, (2) many important two-firm channel relationships do not involve a manufacturer and dealer or retailer, and (3) a true two-party focus would be more desirable. These limitations must be addressed in future research, using this study as a base.

A MODEL OF RELATIVE GOAL ATTAINMENT IN THE TWO FIRM CHANNEL RELATIONSHIP

Singh, Reve, and Stern (1981), in discussing the concept of "environmental capacity" developed by Aldrich (1979) differentiate between rich and lean channel environments. They indicate that firms in a low consumer demand, poor financial situation, lacking a large resource base face a lean environmental capacity, while in a high demand, good financial situation a rich environmental capacity situation exists for the firms. Singh, et al. (1981) go on to state (p. 17), "It is possible that the overall character of environmental capacity—rich vs. lean—could be a main determinant of channel sentiments and behavior, irrespective of the levels of other dimensions." This statement highlights the importance that the financial situation and goal attainment may have on the nature of channel relationships.

A model of relative goal attainment in the two firm channel relationship is developed in Figure 1 which extends the "rich", "lean" logic developed by Singh, _et al_. (1981). The basis of the model is whether or not _each firm_ in the two firm channel relationship is receiving _satisfactory goal attainment_. If both firm's objectives are being met in a satisfactory manner (cell one), an _ideal_ situation exists where both firms are receiving reasonable and relatively equitable benefits from doing business with one another.[2] Such channel relationships are certainly the most stable and relatively long-lasting and can be found in most, if not all, marketing channels. Only the distribution of two firm relationships meeting this ideal condition would appear to vary across alternative channels and channel systems. For example, the Coca-Cola channel system has had considerable success in the past where both Coca-Cola and many of its bottlers receive satisfactory levels of goal attainment from their ongoing business relationship.

[Place Figure 1 About Here]

Within both cells two and four in Figure 1, a _disequilibrium_ exists where one firm gains more benefits from the channel relationship than the other; one firm achieves satisfactory goal attainment while the other does not. For example, some automobile dealers traditionally representing only one domestic car manufacturer are currently attaining satisfactory goal attainment by emphasizing used car sales and acquiring rights to sell certain lines of foreign cars. The goal attainment of the domestic automobile manufacturer in these same relationships is generally unsatisfactory because their new car sales are lower than desired. On the other hand, the domestic oil companies are currently achieving satisfactory goal attainment from transactions with many of their service stations while managers of many of these same service stations are facing rising costs and a gross margin squeeze and are not reaching their business goals as a result.

Finally, in cell three in the model (Figure 1), neither firm within the two firm relationship is attaining reasonable benefits nor reaching desired goals from doing business with one another; both firms are losing. Some turnover of members in two-firm relationships will exist in all distribution channels over time because goals are not being achieved due to such factors as mismanagement and/or economic conditions. For a more specific example, A & P recently closed a number of stores because financial goals were not being attained at either the corporate or retail channel level.

As suggested previously, it is expected that business interactions, sentiments, and compatibility within the two firm channel relationship will vary based on the relationship's goal attainment category, its placement within the cells in Figure 1. The specific nature of these expectations is next developed.

BUSINESS FIRM INTERACTIONS, SENTIMENTS, COMPATIBILITY AND RESEARCH HYPOTHESES

Business Firm Interaction

Firms and their personnel often have motives for attempting to achieve influence on other firms' perceptions and/or decision making. Improving channel coordination and partner performance as well as winning in conflicting goal situations are examples of important motives for influence which exist in most distribution channels (cf., Beier and Stern 1969; Lusch 1978; Wilkinson 1978; Cadotte and Stern 1979).

In order to implement such motives, a firm's boundary personnel must select from among a variety of influence or communication stratgies and then utilize them in attempts to attain influence over the other party (Beier and Stern 1969; Stern and Haskett 1969; Tedeschi, _et al._ 1973). As Tedeschi, _et al._ (1973, p. 32) state, "For influence to be exercised some form of communication must occur in which the source makes known to the target his preferences, demands, or wishes."

Communication Strategies. Six influence strategies are of interest in this study, ranging from relatively indirect and nonpressurized to relatively direct and pressurized. The _information exchange_ strategy involves the use of discussions by the boundary person on general business issues where information and/or opinions are offered to the other firm (Raven and Kruglanski 1970). General operating philosophies are stressed when using this strategy and while the boundary person may discuss general strategy on certain issues, no specific dealer action is requested. Information exchange represents the most indirect and non-pressurized influence strategy analyzed in this study.

When the boundary person predicts favorable consequences to result from the dealer's performance of a specific action or actions based on the nature of the general business and market environment, a _recommendation_ strategy is being utilized (Angelmar and Stern 1978). Like the information exchange strategy, the boundary person in using this strategy attempts to alter dealer perceptions regarding the inherent desirability of the intended behavior. However, this strategy is more direct and pressurized in comparison with the information exchange strategy in that it urges the dealer to take a specific action. It is apparent to the dealer that the boundary person is attempting to alter some specific element of the dealership's autonomous decision making and may, as a result, be suspicious of the boundary person's motives, especially if recommendations are used inappropriately over time.

Rather than attempt to influence dealer perceptions of appropriate decision strategy, a boundary person can decide to center directly on behavioral change. In using a _request_ strategy, the boundary person merely informs the dealer of the action(s) he would like the target to take; no consequences of compliance or noncompliance are mentioned or implied. Its use may be particularly effective where an atmosphere of "give and take" exists in the relationship. Even though requests center directly on behavior, they are seen to be more indirect and less pressurized than recommendations because no consequences of the target's subsequent behavior are implied; less direction and interference are present when using requests.

Promises are used when the boundary person promises future mediated inducements (e.g., more cooperation on product allocation) for dealer compliance on a business issue (Parsons 1963; Tedeschi, _et al_. 1973; Angelmar and Stern 1978). When the boundary person threatens the target with punishments for noncompliant behavior, a _threat_ strategy is being utilized (Parsons 1963; Tedeschi, _et al_. 1973; Angelmar and Stern 1978). _Finally_, in using a _legalistic reference_, the boundary person refers to some legal standard existing in the relationship and implies he will take punitive actions should the target fail to comply with his desires (Parsons 1963; Kasulis and Spekman 1980). The final three strategies are all relatively direct and pressurized where (1) a specific action is requested, (2) consequences of dealer compliance or noncompliance are stressed, and (3) the boundary person and/or the manufacturer directly mediate the relationship based on the nature of the dealer's response to the influence attempt. While some social psychologists have viewed the use of promises or a reward strategy primarily in a favorable light (cf., French and Raven 1959; Tedeschi, et al. 1973), Beier and Stern (1969) contend that use of a reward strategy possesses coercive elements, however subtle, and Hill, et al. (1975) indicate that special rewards must be offered with caution in business relationships.[3]

Use of the Strategies and Relative Goal Attainment. When both the manufacturer and dealer are achieving satisfactory goal attainment, a relatively congenial and open atmosphere may exist in the relationship (Stern 1977; Dwyer 1980; Dwyer and Walker 1981). In such cases, it is expected that the information exchange strategy will be frequently utilized by the manufacturer's personnel. Exchanges of objective information and/or opinions by the manufacturer and the boundary person with the dealer on general operating philosophies may represent relatively effective means of gaining influence in these relationships based on the congenial atmosphere and the credibility built for the manufacturer based on the relationship's financial success (Hovland, et al. 1953; Bonoma 1976). Bock (1951) indicates that discussions are more effective in highly cohesive relationships. Influence attempts may be primarily motivated based on channel coordination considerations or to further improve the other member's managerial performance and may be successful based on each firm's current success. Frequent use of relatively direct, pressurized strategies (e.g., recommendations, legalistic pleas, promises, threats) with all of their associated costs (Raven and Kruglanski 1970; Hunt and Nevin 1974; Lusch 1976, 1977) may be unnecessary as a result. Requests may not be utilized a great deal because the seeking of favors may be unnecessary in most cases under ideal goal attainment conditions; their use could inhibit the credibility of the manufactuer in such relationships.

When both firms' goals are not being met in a satisfactory manner, the situation may be reversed. The dealer may, in part, blame the manufacturer for its poor financial performance and _visa versa_. The credibility of the manufacturer's personnel may be affected adversely by the poor economic climate. Together with the existence of a relatively noncongenial atmosphere, this may make use of information exchange strategies relatively ineffective in such cases. Requests may be ignored; while favors may be sought by the manufacturer, the financial picture that the dealer faces may necessitate their refusal. Relatively direct, pressurized strategies may be required in attempts to motivate levels of influence on the other party, required when the manufacturer decides compliance must be attained on certain interfirm issues; strong measures to be used in a difficult situation. Promises may be used in hopes of getting compliance on important issues for a relatively small cost. Threats and legalistic pleas may be frequently utilized as the dealer resists influence attempts because of his or her precarious financial situation. Recommendations may be frequently utilized by the boundary person, even when inappropriate.

When one member is receiving a satisfactory level of goal attainment and the other member is not, a scenario between the two extremes may generally exist. Mid-range use of both the information exchange strategy and the direct strategies by manufacturer personnel may be present in such situations. Use of information exchange strategies by boundary personnel when the manufacturer is achieving satisfactory goal attainment may be effective to a degree because of credibility which is bred by success. However, conflicting goals may surface and the dealer may resist influence attempts from the manufacturer in many instances and may make counterinfluence attempts on his or her own. This may necessitate the use of relatively direct, pressurized communication strategies by manufacturer personnel at times. When the dealer is achieving satisfactory goal attainment but the manufacturer is not, the dealer may be open to exchanges of information to a degree in an effort to enhance the relationship's congeniality and balance the benefits achieved in the relationship. However, manufacturer personnel may attempt the use of relatively direct strategies at times to get quick results in attempts to improve their firm's financial standing as well as their own performance ratings (cf., Ridgeway 1957).

Requests may be frequently used in situations where one firm is achieving satisfactory goal attainment and the other is not. A give and take, favor giving and granting environment may tend to arise in such relationships (cf., Blau 1964). The firm with the satisfactory goal attainment may try to appease the other member at times through complying, in part, with its requests. Figure 2 exhibits the posited relationship between the strategies and the goal attainment categories.

The predicted level of utilization of each strategy or strategy type in Figure 2 is based on the pre-study interviews. The following hypothesis is suggested concerning variable relationships:

> _Hypothesis One_: The information exchange strategy will be frequently utilized in relationships where both members are receiving satisfactory goal attainment whereas recommendation, promises, threats, and legalistic pleas will be frequently utilized where both members' goals are not being met. Medium utilization of these strategies and relatively frequent use of requests will exist in cases where one member's goal attainment is being facilitated in the relationship.

[Place Figure 2 About Here]

Business Sentiments and Goal Attainment

Three variables are of interest in reflecting business sentiments which exist in the channel relationship in this study. Two involve trust, one the dealer's _general trust_ in the manufacturer and its personnel, the other the dealer's _specific level of trust_ in the primary manufacturer boundary person in the relationship. The final variable concerns the level of _dealer cooperation_ with the manufacturer in their relationship. As indicated by Alderson (1965) and Stern (1977), for the manufacturer to successfully coordinate the channel relationship and improve dealer managerial performance, reasonably high levels of dealer trust and cooperation must exist in their ongoing channel relationship (also see Tedeschi, _et al_. 1973).

In situations where neither firm is receiving satisfactory goal attainment from the relationship, it is expected that levels of dealer trust and cooperation will be relatively low. As indicated previously, the basis for most channel relationships are goals that are achieved through their existence (Beier and Stern 1969). When neither firm achieves these goals in a satisfactory manner, high levels of frustration and hostility may result. Expectations concerning appropriate rewards for entering and working in the relationship are not being met. As a result, satisfaction levels may be low with a large number of disagreements arising in the relationship concerning (1) appropriate roles and (2) the other member's performance on its assigned role and responsibilities (Alderson 1965; Gill and Stern 1969; Hunt and Nevin 1974; Lusch 1976, 1977). The ability to resolve such conflicts may be hampered by high levels of uncertainty concerning future goal attainment and the outcomes of such resolution processes (cf., Singh, et al. 1981). All of these factors, along with low credibility levels, may negatively affect the dealer's general trustworthiness in the manufacturer and its personnel. Additionally, the trustworthiness of the main manufacturer boundary person may be hampered because a desperate situation often leads to desperate actions where predictions by the boundary person at one point in time may not be bourne out by profits or increased levels of goal attainment in the future (Bonoma 1976). Finally, while a general recognition of the importance of team work and vertical coordination in the movement of goods and information may exist in such relationships (Alderson 1965), the poor financial situation each firm faces may motivate them to seek goals of a more individualistic nature (a very "short run" approach) (cf., Bock 1951; Bonoma 1976).

The opposite pattern may exist in dyads where each firm is achieving satisfactory goal attainment. Satisfaction in a business relationship is based on mediation of goals and meeting expectations concerning reasonable levels of goal attainment (Hunt and Nevin 1974; Lusch 1977). As such, in an ideal goal attainment situation, high levels of satisfaction in the business relationship should exist. In this financial situation, there may be less frequent disagreements. When conflicts do arise, they may be resolved reasonably quickly because each firm can afford to compromise to a degree when each are receiving satisfactory goal attainment (Bonoma 1976). Additionally, because of the dyad's financial status, each firm may see the other as being interested in its goal attainment. As a result of such consideration, high levels of trustworthiness and cooperation may be the rule. Joint undertakings and consultation on many business issues may be seen by the channel member to have high payoff functions in these relationships.

In situations where one firm is achieving satisfactory goal attainment and the other is not, a pattern of cooperation and trustworthiness between the previously discussed extremes is expected to result. Based on equity theory and the motivation for reciprocity (a drive for relatively equal rewards based on the contributions of each party to the relationship), the firm with the higher goal attainment may attempt to equalize the benefits the other firm is receiving from the relationship to a degree and, as such, may "bend a little" in interfirm discussions so as to aid the other firm in reaching its financial objectives (Gouldner 1960; Blau 1964). How ever, there are limits to such motivations. Levels of dissatisfaction with the current relationship (the firm with unsatisfactory goal attainment) and jealously concerning the other party's attainment of its goals may counterbalance this tendency. Blau (1964, p. 26) in discussing social relationships states, "There is a strain toward imbalance as well as toward reciprocity in social associations." This logic also appears to have applicability in dyadic business relationships, especially where one firm is achieving satisfactory goal attainment and the other is not. The following hypothesis is suggested from this discussion:

> <u>Hypothesis Two</u>: Relatively high levels of dealer cooperation and trust will exist in relationships where each firm is receiving satisfactory goal attainment, medium levels of these variables will exist where only one firm is achieving satisfactory goal attainment, while low levels of dealer cooperation and trust will exist in channel relationships where neither firm is receiving satisfactory goal attainment.

<u>Business Compatibility and Goal Attainment</u>

Business compatibility in this study is reflected by levels of manufacturer and dealer agreement on general business issues and marketing strategy. Levels of agreement are expected to be low in dyads where neither firm is achieving satisfactory goal attainment. Credibility levels for the manufacturer and its personnel may be low in such cases because the dealer may question the manufacturer's (1) contribution and performance on responsibilities within the relationship and (2) desire to promote joint versus individualistic goals given the present financial picture. As such, the viewpoints of the manufacturer may not be considered or, if considered, questioned to a high degree. Additionally, Singh, <u>et al</u>. (1981) suggest that when a firm faces high uncertainty in its output environment, decision making and coordination within the channel are also made uncertain. They indicate that environmental capacity is a major determinant of the uncertainty levels that exist in a two firm relationship; that is, the leaner the environment (or the lower the goal attainment), the greater the uncertainty. High levels of uncertainty about future plans, actions, and resulting outcomes may contribute to low levels of dealer agreement with manufacturer positions on decision strategy. Lastly, the less attraction that each member has and the smaller the contribution that each member makes to a relationship, the less cohesion that may exist therein (Blau 1964). As indicated by Bock (1951) and Blau (1964), the smaller the level of cohesion (integrative bonds) in a relationship, the less chance that (1) concensus will be reached on important issues and norms and (2) coordination of activities and perceptions will result. Additionally, Bock (1951) indicates that the lower the cohesion, the less effort that each party will make to reach agreement on important issues.

Because of (1) adequate to high levels of performance on channel responsibilities by the manufacturer (and, therefore, high credibility), (2) more emphasis on "joint" goals, (3) higher cohesion, and (4) lower levels of uncertainty, levels of agreement should be relatively high in two-firm relationships where each member is achieving satisfactory goal attainment. As Bannister (1969) indicates, compatibility in a relationship is based on the degree in which resources are present for mutual satisfaction in both breadth and depth. When one firm is achieving satisfactory goal attain ment, medium levels of agreement are expected to exist. The following hypothesis is suggested:[4]

> Hypothesis Three: Levels of dealer agreement with manufacturer positions on interfirm business issues and strategy will be (1) high when each firm is achieving satisfactory goal attainment, (2) medium when one firm is achieving satisfactory goal attainment, and (3) low where neither firm is receiving satisfactory goal attainment in the two firm channel relationship.

METHOD

Research Setting and Sample

A franchise system, the automobile distribution channel, was selected as the setting for a study designed to test the research hypotheses. A mail survey of new car dealers utilizing an eight page, self-administered questionnaire was used to gather the data. Unstructured personal interviews with approximately forty new car dealers and a literature review of previous research in this channel and the general channels literature provided the basis for the questionnaire.

The sample frame of domestic new car dealers in Indiana, Illinois, and Ohio was obtained from the Indiana Automobile Dealer's Association and a private consulting firm. Questionnaires were sent to 944 dealers in a three stage mailing process designed to enhance the response rate attained for the study. Initially, a letter introducing the project was sent to each dealer in mid-February, 1979. A few days later the first wave of questionnaires were sent along with a cover letter. A follow-up questionnaire was sent two weeks later to those who had not responded to the original questionnaire. Each questionnaire was directed to the one member in each dealership having the most important personal contact with the manufacturer and its representatives. In the majority of dealerships, the personal name of this individual was available and utilized in the mailing process.[5]

The questionnaire centered on the interaction between the manufacturer, its boundary personnel, and its new car dealers. Each respondent was asked what the dealership's primary make of new automobile was in 1978 (i.e., the make which the dealership sold the most units of in 1978). They were then instructed to answer the questionnaire based on interactions with their primary make of vehicle.

The final response rate was 46.1 percent (i.e., 435 returned questionnaires out of 944 dealers in the intended sample) which compares very favorably with those reported in previous empirical studies on interfirm relationships in distribution channels (e.g., Michie 1978, 16 percent; Etgar 1976, 19 percent; Brown 1978, 21 percent; Hunt and Nevin 1974, 26 percent; Rosenberg and Stern 1971, 35 percent; Lusch 1976, 47 percent). Only 12 of the returned questionnaires were unusable due to an obvious lack of involvement on the part of the respondent (i.e., incomplete information). The second wave produced 92 usable questionnaires.

To evaluate whether non-response bias was a problem in the study, three methods were utilized. First, the sample data were compared with known values for the population of dealers on manufacturer make and unit sales volume. The dealers in the achieved sample parallel the nationwide distribution of dealers on these variables very closely. Second, several dealers and manufacturer personnel in the automobile industry were contacted individually about the representativeness of the data. Based on their subjective estimates, they all concurred that the data utilized in this study appeared to be representative and not biased. Finally, Armstrong and Overton (1977) indicate that if first and second wave respondents are similar, the chances of non-response bias clouding a study's results are relatively small. This is based on the rationale that subjects who respond less readily are similar to nonrespondents (c.f., Pace 1939). As such, dealers from the two waves were compared on certain dealer demographies (e.g., single or multiple point) and general attitudes and perceptions as well as the variables analyzed in this study. Based on computing Hotelling's T^2 statistic for each variable set, no significant differences exist (i.e., $p < .1$) between the first and second wave respondents. Considering these findings, non-response bias does not appear to be a serious problem in this study.

Operational Measures

Relative Goal Attainment. Table 1 exhibits the manufacturer and dealer goal variables utilized in this study and the norms of satisfactory performance which exist in the automobile channel on these variables. The pre-study interviews in this channel and a review of Automotive News were used in ensuring that relative goal attainment was important concept in this channel and in selecting these goal variables and identifying these norms. Based on the franchise agreement in this channel, dealers must provide data to the manufacturers and its personnel on their financial situation.

[Place Table 1 About Here]

Two manufacturer goals are inspected in this study. For each dealership, the manufacturer sets a "sales objective" or targeted sales volume figure for the year based, in theory, on demographics in the region in question. The dealership's actual sales volume relative to targeted sales volume represents an important measure of whether or not the manufacturer's goals are being met in a satisfactory manner in the relationship. Additionally, the manufacturer sets a variety of other performance criteria for each dealership (e.g., the dealership's market penetration in its trade area, local advertising expenditures) and evaluates the dealership's performance on these criteria each year, whether satisfactory or unsatisfactory. If the dealership's performance is rated as satisfactory, the manufacturer's overall goals are being attained in a reasonable manner in the relationship. While the dealer certainly would not mind reaching the targeted sales volume figure or receive a satisfactory performance rating, they do not represent primary dealership goals as it is apparent that the manufacturer's interests are prominent in setting sales objectives and deciding what constitutes satisfactory performance.

Three items were included in the questionnaire (asked of the dealer) to measure these manufacturer goal variables: (1) "What was your 1978 new car sales volume for your PRIMARY make?"; (2) "What was your dealership's assigned sales objective for your PRIMARY make in 1978 (e.g., the sales evaluation guide for General Motor's dealers)?"; and (3) "In how many of the past five years have you received a 'satisfactory' performance rating from your manufacturer?" The sales objective figure was subtracted from the absolute sales volume figure in calculating the degree to which the dealership has surpassed, met, or had not met its sales objective. The last variable provides a picture of how the dealership's overall performance has been evaluated over time by the manufacturer.

Note that the new car sales volume was not utilized as either a manufacturer or a dealer goal because, in certain relationships in this channel, sales volume can be a primary goal of both the manufacturer and dealer. In some dealerships, sales volume is not a primary goal because manufacturers in this channel have a long history of attempting to increase new car sales volume at their dealerships, often to the exclusion of concerns for the dealerships' welfare (cf., Ridgway 1957; Assael 1968).

As evident from Table 1, two variables were used to reflect areas where the dealer is concerned about goal attainment, one financial, the other managerial. Pre-study interviews indicated that while the dealer may have other important financial objectives, return on investment was the most important and the one most generally used to evaluate a dealership's success. Furthermore, a very important managerial goal of most dealers is to run the dealership without a high level of outside interference from the manufacturer on their autonomous decision making, especially on major issues.

Each dealer was asked, "What was your approximate pre-tax and pre-bonus <u>return on investment</u> for 1978? (Please check one)." Categories ranged from less than 0 percent to over 40 percent (in 10 percent intervals). Two items were included in the questionnaire and asked of each dealer to determine the degree to which the manufacturer has attempted to <u>blatantly interfere</u> in the <u>general operations</u> of dealership and raise question with its future viability: (1) "Has the manufacturer ever suggested he might put another franchise into your immediate trade area?", and (2) "Has the manufacturer ever suggested he might revoke your franchise?"

The norms in Table 1 were used in dividing each goal variable into two categories, whether or not satsifactory goal attainment was achieved. Then, each manufacturer goal variable was contrasted with each dealer goal variable in operationalizing the relative goal attainment model. This resulted in four relative goal attainment variables, each with a distribution of two-firm channel relationships in each category of the goal attainment model (Figure 1).

Influence Strategies. Each dealer has contacts with three boundary personnel of the manufacturer: (1) the sales representative or district manager; (2) the service representative; and (3) the parts representative. Interviews with dealers identified the sales representative to have the most frequent and primary contact with each dealership. Thus only the sales representative's use of influence strategies was measured here.

A recall technique was utilized in measuring the use of the previously identified influence strategies. Each dealer was asked in what percentage of their typical monthly contacts with the sales representative (whether personal or phone contacts) did the representative directly _try to influence_ his decision making on at least one decision area. This item reflects the representatives frequency of using relatively explicit influence strategies in the relationship. The dealer was then asked in what percentage of these overall influence attempts did the sales representative _state_ or _imply_ that (1) "You would receive better service and/or cooperation if you complied with his request" (i.e., a promise strategy), (2) "By following his suggestions, your dealership would be more profitable" (i.e., a recommendation strategy), (3) "The franchise agreement either required or suggested compliance" (i.e., a legalistic strategy), and (4) "You might receive poorer service and/or cooperation if you did not comply" (i.e., a threat strategy).

The items used to measure use of a request strategy and a information exchange strategy followed. It was felt that by asking about relatively direct strategies first each dealer would better understand the description of these strategies. In measuring use of the request strategy, each dealer indicated in approximately what percentage of overall influence attempts did the sales representative merely state his wishes on an issue without mentioning or implying any consequences of compliance or noncompliance. Finally, to indicate use of the information exchange strategy, dealers were asked within what percentage of their typical monthly contacts did the sales representative merely discuss the overall strategy of dealership operations (e.g., the effects of inventory levels on sales or the necessity of a good service department) without making specific statements about what he would like the dealer to do.[6]

Trust and Cooperation. Pre-study interviews indicated that a dealer's general trust in the manufacturer and its personnel was based primarily on the perceived interest of the manufacturer in the dealership's profitability and the manner in which the manufacturer's personnel react to interfirm disagreements. Additionally, the level of dealer satisfaction with the dealership's overall relationship with the manufacturer was seen by dealers as an important contributer to the level of their general trust of the manufacturer. As such, three items were included in the questionnaire to reflect the dealer's general trust in the manufacturer and its personnel: (1) "The manufacturer is very interested in helping me make my dealership profitable", (2) "Most of the disagreements I have had with my manufacturer reps in the past year were settled to my satisfaction", and (3) "I am generally satisfied with my dealership's overall relationship with the manufacturer".

To measure the dealer's level of trust with the sales representative, dealers responded to the following three items: (1) "I generally feel that my sales rep is very fair in working with my dealership", (2) "I always have confidence in the accuracy of the information I get from my sales rep", and (3) "My sales rep is sometimes less than completely honest in working with my dealership" (reverse scaled for use in data analysis). The dealer cooperation scale was composed of two items: (1) "I try hard to maintain a good working relationship with my manufacturer and his representatives" and (2) "I try to establish a give and take relationship with the manufacturer reps." Seven point scales ranging from 1, "Strongly Disagree," to 7, "Strongly Agree", were used in the measurement of each item.

Factor analyses results confirmed that these items load together in an appropriate fashion. Coefficient alpha was computed to be .8 and .68 for the general trust and specific trust scales. The split-half realiability coefficient after full scale adjustment was .58 for the two item cooperation scale.

Agreement With Manufacturer Positions. Dealers were asked to what extent they agreed or disagreed with manufacturer or manufacturer rep positions and viewpoints on the following six issues on seven point scales ranging from 1, "Strong Disagreement," to 7, "Strong Agreement": (1) local advertising expenditures, (2) number of salesmen, (3) new car inventory levels, (4) participation in special programs (e.g., leasing, training, and sales promotion programs), (5) parts purchases from the manufacturer, and (6) warranty claims. Each issue was identified in pre-study interviews as an important autonomous decision area of the dealer in which the manufacturer was also very interested. Factor analysis indicated that three factors could be isolated on these data.

The first two issues load on one factor dealing with agreement on "promotional strategy." The next two items loaded on a factor labelled "sales representative issues" (or areas where the sales rep has primary responsibility) while the last two items are "part and service representative issues". The split-half reliability coefficients after full scale adjustment for these scales were .59, .56, and .54 respectively.

ANALYSES

Multivariate and univariate analyses of variance were used to test the research hypotheses. Five different runs were made to test each research hypothesis; one for each of the four two-variable combinations of the manufacturer and dealer goal variables presented in Table 1, the other based on a composite scale derived by combining the two manufacturer goal variables and the two dealer goal variables before defining the goal attainment model. The results of these runs were highly similar and consistent and, as such, only the data and significance tests for the relative goal attainment variable based on "years satisfactory performance" (manufacturer goal) and "return on investment" (dealer goal) will be presented in this paper. The "years satisfactory performance" variable provides a picture of manufacturer goal attainment in the relationship over time while ROI is the most important dealer goal.

In preliminary analyses, the primary manufacturer make of each dealership was included as a control variable in each MANOVA. Each of the goal variables in Table I vary in a significant manner by make with the General Motors channel system generally out performing the Ford, Chrysler Plymouth, and American Motors channel systems (in that order). Thus a possibility existed that the relationships between the goal attainment model and the business interaction, sentiment, and compatibility variables would vary based on manufacturer make. The results of this analyses indicated that the variable relationships were stable within and across each make, that the interaction between make and the goal attainment model was not significant. In the subsequent hypothesis tests, each MANOVA was significant beyond the .01 level. Thus only the univariate analyses results are presented herein.

A Test of Hypothesis One

Table 2 presents the mean values on the communication strategy measures across the goal attainment categories. For each strategy, a significant difference in means exists across the goal attainment categories. The pattern of means generally follows a priori expectations. The relatively direct strategies (e.g., recommendations, promises, legalistic pleas, threats) have the highest use in the "poor" goal attainment category, medium range use in dyads where one member is achieving satisfactory goal attainment, and the lowest use in the "ideal" category. Relative to ideal goal attainment relationships, in the poor goal attainment category use of threats is almost three times higher (5.5% versus 15.7%) while use of recommendations, promises, and legalistic pleas is more than two times higher (e.g., on recommendations, 13.1% versus 26.6%). Use of relatively direct, pressurized strategies may be necessitated in "poor" goal attainment relationships because of the economic climate that may adversely affect the manufacturer's and its personnel's credibility. A noncongenial atmosphere may exist in such relationships with the dealer, in part, blaming the manufacturer for his or her firm's poor financial performance. Dealer resistance and counterinfluence attempts may reinforce the use of threats and legalistic pleas and ill-advised use of recommendations and promises by manufacturer personnel.

[Place Table 2 About Here]

Unexpectedly, the means for the information exchange strategy are relatively equal in the ideal and "one member" satisfactory goal attainment categories (53.2%, 50.3%, and 52.1%). Perhaps the credibility levels achieved by the manufacturer when it achieves satisfactory goal attainment (and the dealer does not) overcomes conflicting goals which may surface in such relationships making this strategy reasonably effective. When the dealer achieves satisfactory goal attainment but the manufacturer does not, the sales representative may overcome his or her tendency to attempt to get quick results in all cases and uses the dealer's tendency to balance the outcomes achieved from the relationship to his or her advantage. However, as expected, information exchange is used least frequently when neither firm is achieving satisfactory goal attainment (41.2%). Low credibility levels together with the existence of a relatively noncongenial atmosphere may make use of information exchange strategies relatively ineffective in such cases.

Requests were used most frequently in relationships where one member was achieving satisfactory goal attainment and the other member was not, as anticipated. Requests may be unnecessary, to a large degree, in ideal goal attainment relationships while ignored when neither firm is achieving satisfactory goal attainment. Based on these results, H1 is generally confirmed.

Aside from the variable relationships, the frequency of use of the strategies closely follows the a priori predictions in Figure 2. To provide a further view of the relative usage of the influence strategies across the goal attainment categories, Figure 3 is presented. Utilization of strategies in the ideal goal attainment category is used as the standard of comparison in Figure 3. The vertical axis represents deviations in strategy utilization from the ideal goal attainment category across the mixed and poor goal attainment categories. As evident, the largest deviations occur between the poor and ideal relationships on usage of recommendations and the information exchange strategy. Utilization of the strategies across the "mixed" goal attainment categories are very similar except on legalistic pleas which are used more frequently by the manufacturer personnel when the dealer achieves satisfactory goal attainment but the manufacturer does not and on recommendations which are used most often when the manufacturer is the only one achieving reasonable goal attainment.

[Place Figure 3 About Here]

A Test of Hypothesis Two

The mean values in the dominant sentiment measures in the channel relationship across the goal attainment categories are presented in Table 3. Significant differences in means exist on the general trust and cooperation variables across the goal attainment model. Levels of overall trust and cooperation are highest in the "ideal" goal attainment category (4.3 and 6.0) and lowest where neither firm is achieving satisfactory goal attainment (3.8 and 5.6). The sales representative trust variable was almost significant at the $p < .10$ level and, as evident, its pattern of means across the goal attainment categories conformed to a priori expectations. In relationships where both firms are achieving satisfactory goal attainment, the dealer's satisfaction level should be high (1) because his or her firm is reaching its goals and (2) the manufacturer's personnel do not need to resort to pressurized means to quickly improve their firm's goal attainment in the short run. When disagreements occur, however infrequent they may be, they should be resolved rather quickly, making it appear that the manufacturer is also interested in the dealer's goal attainment. The perception of manufacturer interest in the dealer is also aided by the relative prosperity of the relationship. Based on high credibility levels, joint undertakings and consultation on business issues may be looked upon very favorably by dealers in ideal goal attainment relationships. H2 is, therefore, generally confirmed.

[Place Table 3 About Here]

A Test of Hypothesis Three

The means for the agreement variables across the categories of the goal attainment model are exhibited in Table 4. Each agreement variable varies in a significant manner across the goal attainment categories. Agreement is highest in the "ideal" category and lowest in the "poor" goal attainment category on each factor, thereby confirming H3. In poor goal attainment relationships, the viewpoints of the manufacturer may be questioned to a high degree by the dealer.

High levels of uncertainty about future business conditions and welfare may contribute to relatively low levels of agreement on business strategy as may (1) low levels of cohesion in the relationship and (2) an emphasis on individualistic rather than joint goals.

[Place Table 4 About Here]

SUMMARY AND IMPLICATIONS

The results of this study indicate that the nature of relative goal attainment between firms in the two firm channel relationship is significantly related to the nature of business firm interactions, sentiments, and compatibility in that relationship. These results were consistent both within and across alternative manufacturer systems in the automobile distribution channel. This study thus highlights the importance that relative levels of goal attainment has on the interfirm interaction and outcome process.

Managers and boundary personnel involved in coordinating ongoing channel relationships should explicitly consider the nature of each firm's goal attainment when planning their influence strategies and moves to improve the relationship. Results herein suggest that in "ideal" relationships (1) a relatively indirect, implicit influence approach can be effective, (2) the other member is relatively cooperative in implementing programs within the channel with levels of trust being relatively high, and (3) high levels of agreement exist on general business and marketing strategy. The opposite pattern exists in "poor" goal attainment situations, while in relationships where only one member is achieving satisfactory performance, a mid-range picture is present. By acknowledging that such tendencies exist, managers and boundary personnel can avoid following influence approaches and plans which are inappropriate for the situation at hand. A segmentation approach is thus suggested in implementing distribution channel strategy based on the goal attainment category in question. The goals and objectives sought in a relationship should vary based on the goal attainment situation. For example, in a "poor" goal attainment climate, to attain the same influence and coordination objectives achievable in an "ideal" goal attainment situation may be relatively difficult or at least more costly to each party. Managers must guard against their boundary personnel's improper use of influence strategies in situations where their firm's goal attainment is poor, against their reacting to conditions rather than taking a more long-run approach which facilitates increased integration of channel activities and improved cooperation on interfirm decision issues.

Even more importantly, rather than accept the current goal attainment situation in the "mixed" and "poor" categories and react accordingly, managers and boundary personnel should also consider how to improve the goal attainment picture in their relationships. One obvious approach would be to actually improve levels of goal attainment by better performance on marketing strategy, interfirm interaction, and general business dimensions relative to competitors and providing assistance to improve the operations and management of the other firm. Of course, such a plan is not always feasible and attainable, especially for financially centered versus managerial (e.g., lack of interference) goal attainment variables. Another approach would be to help the other member see why goal attainment levels are less than ideal in the relationship. This may lead to more reasonable expectations and a better chance for enhanced credibility and improved cooperation in the future. Still another approach would be to attempt to alter the norms for satisfactory performance which exist in specific dyads based on such factors as geographic location, demand potential, differing business and marketing strategies, etc. Thus with explicit recognition of the factors which tend to exist under varying goal attainment situations, managers can attempt to improve and restructure the channel relationship.

In terms of future research, perhaps more categories than the "satisfactory", "unsatisfactory" dicotomy used in this study can contribute additional insights in certain research situations. The collection of data from each party in the two firm relationship should be considered. A more individualized, personalized view of goal attainment and an inspection of the interaction between these more personalized norms and industry norms may also prove beneficial. Application of the goal attainment model to explain variations in behavior and interaction across alternative channels rather than the two firm channel relationship focus taken in this paper also appears worthy of consideration.

FOOTNOTES

[1]Pre-study interviews with approximately forty dealers in the automobile distribution channel and several independent wholesalers in the medical supply and equipment channel as well as a review of relevant research in the marketing channels literature guided the development of the model, the variables utilized to reflect the business interaction, sentiment, and compatibility dimensions, and the hypotheses.

[2]What is an "ideal" or "poor" situation is defined based on the channel in question based on norms which exist therein. Additionally, as used here, they are "relative" concepts.

[3]Channel relationships are defined by a series of product, service, and/or information flows with each firm having a channel role reflected by a series of tasks and responsibilities (Gill and Stern 1969). The offering of special rewards or promises by a firm's boundary personnel on specific elements or tasks of their employer's role (e.g., product allocation) may be perceived by a channel member as suggesting that the present level of the source firm's performance is not what it can or should be. Additionally, if special rewards are offered (e.g., special cooperation in expediting orders), the recipient of the promise may perceive it as a form of bribery, as very unprofessional and insulting (Raven and Kruglanski 1970).

[4]Implicit in the reasoning so far is the notion that relative goal attainment in the dyad is the driving force behind use of influence strategies, types of channel sentiments, and levels of agreementon business issues. These variables, however, may also have an important impact on each firm's subsequent goal attainment.

[5]Phillips (1981) and Phillips and Bagozzi (1981) stress that within interorganizational research, multiple respondents from each firm should be utilized in the data collection process. While this recommendation appears to be valid across a wide variety of industry settings, pre-study interviews in the automobile distribution channel indicated that one person within each dealership (either a dealer principal or a general manager) had the primary responsibility for interactions with the manufacturer and the sales representative or district manager and for making decisions based on these interactions. The use of multiple respondents in this context (considering the data collected in the study) was felt to be inappropriate. The name of the individual with the most prominent contact with the manufacturer was utilized in the mailing process when available and the cover letter and questionnaire stressed that this individual should be the study participant.

[6]Empirical results in ____________ (1981) indicate that the influence strategy measures appear adequate in terms of convergent and nomological validity.

Figure 1

A Relative Goal Attainment Model for the Channel Dyad

		Manufacturer Objectives (e.g., actual dealer sales relative to territorial sales potential)	
		Satisfactory	Unsatisfactory
Dealer Objectives (e.g., return on investment)	Satisfactory	cell one Ideal situation; both firms benefit	cell two Dealer benefits more from the relationship than the manufacturer
	Unsatisfactory	cell four Manufacturer benefits more from the relationship than the dealer	cell three Poor situation; both firms are losing

Figure 2

Hypothesized Relationships Between Influence Strategies and Goal Attainment

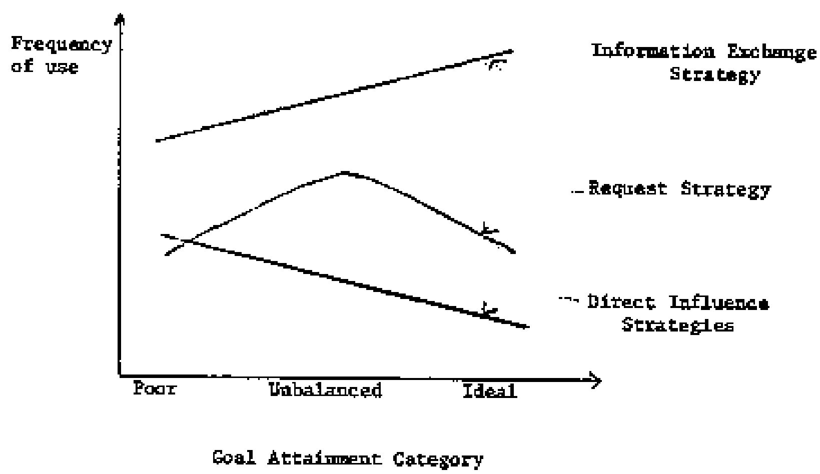

Figure 3

Utilization of the Influence Strategies
Relative to Ideal Goal Attainment Relationships

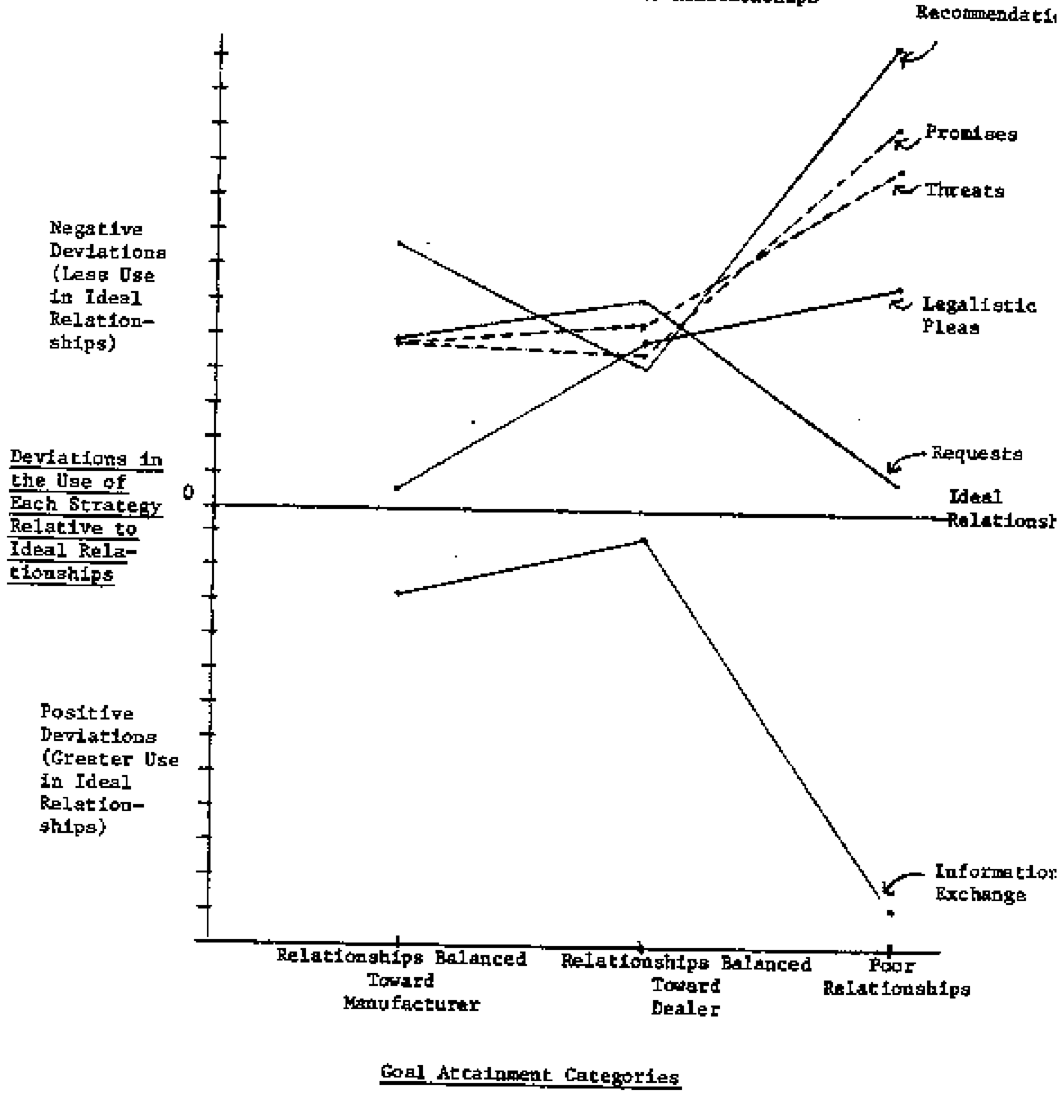

TABLE 1

Goal Variables and Channel Norms

Manufacturer Goal Variables	Channel Norms for Satisfactory Performance
Absolute Sales Volume Relative to the Sales Objective	Dealerships meeting or surpassing the sales objective
Number of Years Satisfactory Performance (out of last five)	Dealerships with satisfactory performance ratings each of the last five years
Dealer Goal Variables	
Return on Investment (Pre-tax, Pre-bonus)	Dealerships with an ROI of greater than 10%
Lack of blatant interference on dealership operations	Dealerships where no threats have taken place concerning (1) placing another franchise in the trade area and/or (2) revoking the franchise agreement

TABLE 2

Goal Attainment and Influence Strategies

Influence Strategy Variables	Overall Mean n=385	Goal Attainment Categories: Ideal n=126	Balanced Toward Manufacturer n=99	Balanced Toward Dealer n=85	Poor n=75
Relatively Indirect					
Information Exchange	50.5	53.2[a,d]	50.3	52.1	41.2
Requests	27.1	24.1[c]	29.0	30.3	25.1
Recommendations	18.4	13.1[b]	20.6	17.2	26.6
Promises	15.4	11.1[b]	15.9	15.5	22.4
Legalistic Pleas	6.6	4.1[b]	4.7	8.9	10.9
Threats	9.8	5.5[b]	10.3	10.8	15.7
Relatively Direct					

[a]To be read: The mean for the percentage of manufacturer-dealer contacts in which the information exchange strategy is utilized in the "ideal" goal attainment category is 53.2. The significance test on each variable is based on a univariate analysis of variance.

[b]$p < .01$

[c]$p < .025$

[d]$p < .05$

TABLE 3

Goal Attainment and Business Sentiments

Sentiment Variables	Overall Mean n=385	Goal Attainment Categories: Ideal n=126	Balanced toward Manufacturer n=99	Balanced toward Dealer n=85	Poor n=75
General Trust	4.1	4.3[a,b]	4.1	3.9	3.8
Specific Trust	3.9	4.1	3.9	3.8	3.8
Dealer Cooperation	5.9	6.0[c]	5.9	5.8	5.6

[a] _To be read_: The mean value for the harmony scale in the "ideal" goal attainment category is 4.3. The signficiance test on each variable is based on a univariate analysis of variance.

[b] $p < .01$

[c] $p < .05$

TABLE 4

Goal Attainment and Agreement on Decision Strategy

Agreement Factors	Overall Mean n=385	Goal Attainment Categories: Ideal n=126	Balanced Toward Manufacturer n=99	Balanced Toward Dealer n=85	Poor n=75
Agreement on Promotional Strategy	4.2	4.3[a,b]	4.2	4.2	3.7
Agreement on service and part representative activities	3.8	4.0[c]	4.0	3.6	3.6
Agreement on primary sales representative activities	3.7	3.8[b]	3.8	3.7	3.2

[a] To be read: The mean for the agreement on promotional strategy scale in the "ideal" goal attainment category is 4.3. The significance test on each variable is based on a univariate analyses of variance.

[b] $p < .01$

[c] $p < .10$

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